Introduction

In one of history's great ironies, the past thirty years have witnessed the transformation of the shaikhdoms of the lower Gulf from sleepy, undeveloped backwaters of the British Empire into some of the world's wealthiest oil producers, with socioeconomic conditions comparable with—and in some cases superior to—those of many Western states. Furthermore, following the withdrawal of their superpower protector and in defiance of the critics, the federation of these shaikhdoms, the United Arab Emirates (UAE), has remained a mainstay of stability in an increasingly volatile Middle East and, crucially, has managed to maintain and even consolidate an essentially traditional polity despite rapid modernization and the often intrusive forces of globalization. Underneath these layers of success and stability, however, the UAE's development path has been far from smooth, and a number of problems, many of which appear to be deeply ingrained, continue to surface. Thus the purpose of this book is not only to consider the UAE's significant socioeconomic achievements and the survival of its seemingly anachronistic political structures, but also to provide a greater understanding of some of the key pathologies that have persistently undermined the development objectives of the nascent state.

In this volume, I seek to expand the body of empirical knowledge provided by the small number of existing works on the subject,[1] while concurrently attempting to assess the UAE's development within the context of recent research conducted on the region's other surviving traditional monarchies and oil-rich "rentier states." (Most notable in this regard are the applied core-periphery theories of Abdulkhaleq Abdulla and Jacqueline Ismael,[2] the rentier models of Jill Crystal and Gregory Gause,[3] the civil society approaches of Sheila Carapico and Mehran Kamrava,[4] and Michael Herb's investigation of the evolution of "dynastic monarchy" structures.[5]) Specifically, I draw on the two major schools of thought: dependency theories that can be used to provide an excellent starting point for explaining the remarkable stability of the many structures that remain in place and continue to shape the UAE's development; and modernization theories and their variants that provide not only a better understanding of the UAE's significant efforts to adapt within "dependent development," but also to underscore the importance of some of the development problems that are now being faced and, under the guise of benign globalization, highlight the potential for future change.

Working within a dependency framework, Chapter 1 provides a detailed overview of the UAE's inherited situation, including the early peripheralization of the region's economy and its historic reliance on foreign labor, foreign technology, and the export of a single primary product, the emergence of significant pre-oil rentier structures, and the external reinforcement of a client elite capable of blocking both participation and indigenous reform.

In an attempt to account for the inaccuracies of early modernization theory and to explain why these precapitalist traditional structures were not swept away during the oil era, in Chapter 2 I apply a combination of rentier-dependency models and "modernization revisionism" (emphasizing how certain traditional forces can be adapted and made functional[6]) to illustrate the way in which the UAE's monarchies have managed to construct multidimensional "ruling bargains" between themselves and their local populations, thereby securing both political stability and much needed sources of nondemocratic legitimacy.

Chapter 3 focuses on the efforts of these "selective modernizing" monarchies to reduce some of the most obvious weaknessess of their dependent economies and thus improve their long-term situation. While much attention is given to the significant successes in this field, primarily with respect to the UAE's recent economic diversification, I show that there have also been serious development pathologies and that in many ways these must be regarded as the hidden costs of escaping the inevitability of early modernization predictions and the demise of tradition.

In Chapters 4 and 5 I illustrate some of the ways in which the freezing and reinforcement of the structures that initially allowed for the stability can in many ways be seen to have gone too far, as allocative systems, neopatrimonial/clientalist networks, complex elite orientations, nonparticipatory structures, a lack of transparency, and retarded civil society have all made legal-rational objectives difficult to achieve.

Finally, I suggest that greater modernization, especially in the form of positive globalizing forces, may still provide solutions for these pathologies in the future. Indeed, whereas the first wave of globalization may have reinforced dependency structures and problems, and there still remains great uncertainty, there are clear indications that something of a second wave may well lead to liberalizing reforms, a more diverse economy, and a stronger civil society.

Notes

1. See, for example, AL-ABED (2001); ABU BAKER (1995); ANTHONY (1975, 2002); FENELON (1973); HAWLEY (1970); HEARD-BEY (1996); AL-MUSFIR (1985); AL-NABEH (1984); AL-NUHAYYAN (2000a, 2000b); PECK (1986); AL-SAYEGH (1997, 1998, 1999); AL-SHAMSI (1999, 2001); and VAN DER MEULEN (1997).

2. See ABDULLA (1985); and ISMAEL (1993).

3. See CRYSTAL (1990, 1995); and GAUSE (1994, 2000).

4. See CARAPICO (1998); and KAMRAVA (2000, 2002).

5. See HERB (1999).

6. For a discussion of modernization revisionism, or "revised modernization theory," see RANDALL and THEOBALD (1998), pp. 45–48. Modernization revisionist studies have demonstrated not only that traditional institutions may adapt and coexist with modern institutions, but also that the process of modernization may actually revitalize dormant traditional institutions and practices.

1

The Historical Background

> In the name of God, the merciful, the compassionate. Praise be to God, who hath ordained peace to be a blessing to His creatures. There is established a lasting peace between the British Government and the Arab tribes, who are parties to this contract.[1]

Under the federal banner of the United Arab Emirates, the shaikhdoms of the lower Gulf were transformed by the massive oil booms of the 1970s. A development miracle was born, and remarkably, these once impoverished territories suddenly found themselves guardians of the modern world's richest resource. There is no doubt that this great and rapid wealth, more than any other factor, has been the driving force behind almost all aspects of change and development in the region. Certainly, as the later chapters of this book demonstrate, oil and its politics can rarely be separated from any study of the Gulf states, and the UAE is no exception. Nevertheless, it is the purpose of this chapter to establish that the oil era cannot be used as the sole starting point for any comprehensive study of the lower Gulf. Nor, for that matter, can one focus exclusively on the time of independence and the subsequent creation of the federal state. Instead, one must also consider the region's traditional structures, its preoil dynamic, and its historical relations with other powers. Indeed, while some of these features have now faded from memory, a significant number have survived and evolved; and as important antecedents of the current order, many of these have continued to form the cornerstones of the contemporary state.

The Traditional Economic Structure

The first postage stamps to be issued in the lower Gulf depicted a string of pearls, local sailing craft, and date palms.[2] Together with animal husbandry, hunting, fishing, and of course periodic desert raiding and caravan protection,[3] these were the activities that formed the basis of the region's traditional economy for much of the nineteenth and early twentieth centuries. Although agriculture was severely constrained by the harsh climate, date farming did provide some sustenance in the vast interior, especially for those near to the many oases that stretched across the Rub' al-Khali, and for those working the *falaj*-irrigated lands in the shadow of the Hajar mountains.[4] Animal husbandry, especially of camels and sheep,[5] provided a similarly limited source of wealth and nutrition, as did the hunting of gazelles and the fishing of grounds close to the northern coastlines.[6] Pearl diving or "pearling," however, provided a much higher but more seasonal source of income for those who traveled to the seashores or to the many tiny islands of the lower Gulf, and in turn numerous other associated activities and industries such as pearl trading and boat building were also able to flourish in the small coastal towns.

Indeed, pearling soon became the region's primary economic activity during the preoil era, given the lower Gulf's abundance of oysters and the shallowness of its seas. However, it is important to note that, over time, the intensity of the activity did vary as a function of both international demand and regional security.[7] The industry reached its zenith in the late 1890s, a period when wealthy merchants from Bombay and even as far afield as East Africa would frequent the Gulf during the pearling season *(al-ghaus al-kabir)* and buy up all of the best specimens for export to their affluent foreign clients.[8] Furthermore, many of these merchants began to settle in the growing ports, and many of their descendants remain based there today, even if their present-day economic activities are very different to those of their ancestors. J. G. Lorimer provides a good insight to the scale of this boom, reporting in his *Gazetteer of the Persian Gulf* that in one year alone (1896–1897) pearls valued in excess of 100 lakhs were exported (approximately three-quarters of a million pounds sterling), this compared with just 10 lakhs per year in the 1870s.[9]

Moreover, as by-products of the pearling industry and the pearling trade, a number of other economic activities began to emerge in these towns. Indeed, while there were some small-scale cottage industries producing pottery and items of metal- and woodwork, most of the manufacturing that did exist was in direct response to the needs of the pearling community. Most obvious, pearling led to a boom in the local boat-building industry, with Umm al-Qawain and Dubai establishing themselves as the main centers for the assembly of a wide variety of craft built from imported African ropes and sails.[10] Furthermore, as pearling brought greater wealth to the region, other activities geared toward more luxury items were also able to develop, a good example being tailoring and weaving.[11] Although weaving was already a well-established activity in the region, with many traveling great distances to buy from the renowned tailors in Buraimi, the greater purchasing power during the pearling boom undoubtedly catalyzed its growth in the coastal communities. Indeed, as a testament to this period one can walk the older quarters of Ra's al-Khaimah today and still see row after row of professional tailors.

However, by the early 1930s the pearling industry and these associated coastal activities had already begun to decline due to a combination of worldwide depression and increasing competition from Japanese cultured pearls.[12] This rapid downswing illustrates how, even in preoil times, the lower Gulf's economy was already heavily reliant on the export of a single primary product and was therefore extremely vulnerable to external market forces. Indeed, as Lorimer noted: "Were the supply of pearls to fail . . . the ports of Trucial Oman, which have no other resources, would practically cease to exist; in other words, the purchasing power of the inhabitants of the eastern coast of Arabia depends very largely upon the pearl fisheries."[13] Similarly, as Abu Jaml, the son of a wealthy Dubai "pearl king," emphasizes, pearling had led to an early form of dependency in the region, thus creating many dilemmas for his father's generation:

> Pearl prices were governed by the dynamics of supply and demand, as is the case with oil today, and there were times when the catch of a whole season did not fetch enough money to cover the cost of the meals consumed by the divers and sailors. At one stage things got so bad that the British government decided to give pearl traders access to markets in Ceylon. But in return for this the traders had to forfeit two-thirds of their earnings to the British and Ceylonese governments to be shared equally between them.[14]

Clearly, as the operations of these pearl kings expanded, they became increasingly susceptible to the fluctuations of the international economy, and in some cases they even had to forego most of their profits simply to survive, as this example describes. Furthermore, and even more ruinous, many of these men were also resistant to the concept of diversifying their interests. Indeed, as Jaml explains, pearling and pearl trading had come to represent not only a source of income but also a way of life, and as such the pearlers were overly cautious when it came to considering any other activity:

> Even though some pearl merchants went bankrupt as a result of the slumps that hit the pearl markets from time to time, most of them would not explore new areas of business. I was with my father in Bombay when he sold pearls worth more than one million rupees and was advised by a Bahraini merchant to buy Madinat Hotel that was offered for sale at 70,000 rupees. My father told the man that he was out of his senses to advise him to freeze so much money. . . . [T]hat hotel is still in business in Bombay while the pearl era eclipsed more than 40 years ago![15]

This is entirely the fate that the contemporary UAE, and especially Dubai, has been trying to avoid. Hotels, commerce, light industry, and all manner of activities are being explored as part of an unceasing attempt to diversify the narrow base of the oil dependent economy.[16]

Although clearly not self-sustaining, another important aspect of the Gulf's pearling economy was that it was beginning to exhibit signs of indigenous capitalist development. Indeed, while the region has often been associated with noncapitalist relations of production in which capital and labor were rarely separated (the farmers would own their land, the Bedu would own their camels, the fishermen would own their boats, etc.), the growth of the pearling industry nevertheless led to an evolution of capitalism not too dissimilar to that found in feudalist-capitalist Europe. The key to this change was the matter of ownership of the pearling boats. In the early years of pearling, the well-practiced *ikhluwi* was a communal system in which the crew would jointly own a boat and would share all of the season's profits, distributed according to the type of work each individual performed. However, as the size of boats increased and the period of expeditions lengthened, it became more expensive to maintain and equip such boats. This was further exacerbated by the influx of expatriate pearling crewmen, who were present for only a short period and required a more tangible wage. As such, the *'amil* system became more prevalent. Under this system the boats were owned and fitted out by wealthier individuals who possessed the necessary capital outlay, and in return would receive a large part of the take at the end of the season, leaving the rest to be divided among the crew. Inevitably, this arrangement led to the emergence of two distinct groups: those who were unable to jointly equip a boat and therefore had to offer themselves as salaried crewmen, and those who were able to invest in pearling boats and thereby claim a share of the profits without even having to participate in the expedition.[17] Furthermore, this system of financial interdependence was being continually reinforced by the captains, many of whom doubled up as brokers *(musaqqam)* and were often relied on by their crewmen to obtain the necessary outlay from the entrepreneurs. These intermediaries charged high rates of interest (between 10 and 25 percent) and also claimed a further share of the profits for themselves.[18] Thus, in many ways a clearly identifiable "pearling proletariat," the *ghasa*, was beginning to emerge underneath an early form of a capitalist/entrepreneurial class.[19]

Last, alongside these pearling-related activities and their mode of organization, it is also worth noting some of the other forms of commerce that were practiced in the area, as before the nineteenth century, overseas and regional trading had provided another important means of livelihood for those in the coastal towns and for those based near the major *souqs* of the interior. Indeed, the lower Gulf maintained trade links with many foreign ports, including Manama, Basra, Muscat, and even Zanzibar. Similarly there were many well-established land routes for caravans from Oman and other parts of Arabia. Many of the old trading posts, such as the camel and fruit markets north of Buraimi oasis, still function today, and continue to help support the local economy while also boosting the tourist appeal. Simple commodities formed the bulk of the goods, but two especially lucrative activities are worthy of mention: slaves and gold. The lower Gulf has long been associated with the slave trade and, as will be discussed later, at one point its towns served as entry points for close to 12,000 African slaves a year, many of whom were then transported by land into the Arabian interior or across the Gulf to Persia.[20] The gold trade was another important component of the preoil economy, and continued to grow in volume well into the twentieth century. Indeed, it is believed that in the 1960s, on the eve of the creation of the federation, no less than one-tenth of all of the noncommunist world's gold passed through the region's ports.[21]

With the exception of Dubai, which continued to position itself as the commercial hub of the lower Gulf,[22] overseas trade nevertheless began to fall into long-term decline, with many of the towns' commercial activities only beginning to pick up in more recent times as a result of the oil boom and the resulting improvements in infrastructure and ports. Britain's controversial military actions in the early nineteenth century and its antislavery treaties, both of which will be considered later in this chapter, effectively capped the region's trading potential and in many ways terminated what used to be a prosperous Arabian monopoly. Furthermore, with the development of more advanced ships requiring deeper berths, the coastal towns found themselves unable to accommodate many of the larger European vessels. As Frauke Heard-Bey describes:

> A great number of coral reefs and sandbanks, together with the numerous low lying islands make navigation extremely difficult and hazardous. Due to the extreme difficulty of approach and the lack of any sizable natural harbours there was comparatively little long distance shipping undertaken during the last few centuries from the ports of this coast . . . and overseas trading has consequently not been a very important feature of its economy until recently.[23]

In summary, most of the lower Gulf's traditional economic activities were centered around the scant geographical resources of the desert. The camels and gazelles of the hinterland allowed for some limited animal husbandry, caravan trading, and hunting, while the oases and mountainous areas provided the opportunity for some small-scale agriculture. The exception to this scarcity was the richness of the Gulf itself, which provided both plentiful fish and, more important, an abundance of pearls. Indeed, pearling was especially significant, given that it provided a lucrative source of income capable of fueling other associated economic activities in the coastal towns. Nevertheless, pearling was unstable, being highly vulnerable to the vagaries of overseas markets, and its eventual collapse had damaging repercussions for the entire economy. Thus, given the general impoverishment of the region and its overreliance on the export of single primary product, the lower Gulf was in many ways doomed to be a periphery of the international economy long before the oil era. Finally, however, with the emerging capitalist mode of production clearly evident in the pearling industry, and with the trading links forged between the Gulf and other Asian economies, a significant level of indigenous economic organization and regional integration was taking place, developments that were to be later blocked and reversed during the years of British control.

The Traditional Social Structure

Alongside the development of these economic activities, a distinct social structure was forming as a result of both the lower Gulf's natural resources and the circumstances surrounding their exploitation. Important social groupings and divisions have been evident in the region since nomadic times, and many of these were further stratified as a result of the shift of activity toward the coasts in pursuit of pearling. Moreover, the influx of foreigners and the described relations of production led to additional layers, as expatriate workers and pearling merchants gradually became a part of the new social fabric. Further related to these changing economic conditions, the increasing urbanization of the population became another important feature of this period as the region's communities were permanently transformed and its people began to adapt to a more sedentary life.

In the years preceding British intervention and the pearling boom, the desert and the nomadic lifestyles were still the greatest influences on society. The well-established Bedu tribes, many of which still exist today, at least in name, can be seen as having spawned the first set of distinct classes in the lower Gulf. As shown, many of these nomads survived simply by hunting or through animal husbandry. These activities afforded only a subsistence living given the meager resources, but the importance of the latter cannot be understated, as it reveals an important early difference between the region's various tribes. Animal husbandry usually took two forms: sheep herding and camel herding. Of these, camel herding was a far more mobile pursuit given the greater range and resilience of the camels, and as such the *sharif*, or camel-herding tribes, were slowly able to achieve something close to hegemony over their sheep-herding counterparts, many of whom were reduced to tending sharif flocks and maintaining sharif pastoral lands.[24] Moreover, this distinction was reinforced by means of social exclu-

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The Survival of Monarchy: An Overview

As the historical background has shown, following the British withdrawal in 1971 the newly independent United Arab Emirates had little more to rely upon than its traditional political structures and a few hastily established federal institutions. Although careful negotiations and a spirit of compromise did allow the fledging state to survive its troubled inception, many observers believed that the lower Gulf's traditional monarchies and rudimentary institutions could never represent anything more than a transitional phase. Indeed, given the region's massive oil wealth and accelerating socioeconomic development, such polities were seen as being both anachronistic and irreconcilable with any modernization process. More than thirty years later the UAE continues to experience such rapid development and now boasts one of the highest gross domestic products (GDPs) per capita in the world,[1] comparable with and in some cases higher than many of the Western industrialized economies.[2] At the same time, however, despite these massive changes, the seven ruling families are still very much in place, and have retained, or at least appear to have retained, much of their traditional authority. Indeed, of the world's eight remaining absolute monarchies, in terms of autocratic structures and lack of political freedom, the UAE is consistently ranked second only to Saudi Arabia.[3]

The purpose of this chapter, therefore, is to provide an explanatory overview of the survival and continuing relevance of what were in effect the end-products of the region's history of dependent relations and its reinforced client elite formations. Essentially, by combining the tools of modernization revisionism and rentier-dependency theories, I demonstrate how there has been a subtle evolution of these primarily traditional structures and the creation of a carefully managed "ruling bargain" between the rulers and their population, a bargain that relies heavily on a number of key criteria.

The Shaikh's Dilemma

At the time of the Trucial states' independence, many political scientists maintained that most of the world's remaining traditional monarchies would soon collapse, as pressures for political reform would inevitably overload their "weak" traditional polities. Early examples of such hypotheses included Daniel Lerner's "passing of traditional society" theory and Karl Deutsch's "social mobilization" theory, both of which asserted that modernizing forces and their consequences for society would soon render traditional monarchies anachronistic. Writing in the late 1950s, Lerner demonstrated in his studies that in every country where individuals could be classed as experiencing the effects of modernization, they would be considerably "happier" than those still living by traditional means. From his socioscientific analysis he therefore drew the conclusion that traditional society was passing from the Middle East simply because "relatively few Arabs still wanted to live by its rules."[4] In much the same way, Deutsch argued that modernizing forces in such states would invariably expand the size of the educated and literary middle classes, thereby leading to increased social mobilization, which would in turn outweigh the capabilities of the traditional polity and would eventually catalyze some kind of political development.[5] Indeed, in many ways the newly rich oil monarchies of the Gulf region were seen by such theorists as providing perfect examples of future change given that their ambitious development programs and their inevitably fast-paced modernization were predicted to engender increasing levels of political consciousness and greater demands on the state.

Published just three years before the United Arab Emirates came into being, Samuel Huntington's influential *Political Change in Traditional Polities* was similarly pessimistic with regard to the survival of traditional monarchies. Indeed, central to one chapter's framework was the assumption that in order to cope successfully with modernizing forces, traditional rulers would eventually be faced with an inescapable "king's dilemma," or in the case of Arabia a "shaikh's dilemma." Essentially, in much the same way as Deutsch and the other early modernization theorists, it was reasoned that the modernization process and the necessary innovation of economic and social development policies would invariably create new groups that the polity would have difficulty assimilating alongside existing traditional groups.[6] As such, the traditional monarch would either have to resist modernization in some way or instead have to accommodate the new groups, a route that would invariably lead to the ceding of former powers.[7] Thus, believing there was no adequate long-term solution to such a quandary, Huntington predicted the eventual demise of those traditional polities presiding over rapid modernization by arguing that "a gap opens between the increasingly modern society and the traditional polity which gave it birth; able to transform the society, but unable to transform itself, the monarchical parent is eventually devoured by its modern progeny."[8]

Although Huntington claimed the key question for these monarchies would ultimately "concern simply the scope of the violence of their demise and who will wield the violence,"[9] he nevertheless accepted that certain short-term strategies could temporarily postpone such a fate. Indeed, it was believed that under certain circumstances a traditional monarch could provisionally circumvent the assimilation predicament by either seizing the initiative and allowing for some degree of voluntary transformation of the polity (while still retaining some traditional power), by institutionalizing coexistence within the polity, or by carefully maintaining the polity (resisting reform), and thereby limiting the effects of modernization.[10] To varying extents all of these strategies have been in evidence in the remaining Middle Eastern monarchies and, although only deemed to be temporary measures by Western political scientists, they have nevertheless been recognized by the rulers as important ways in which to prolong traditional authority and sidestep the shaikh's dilemma. Although the UAE has at times made limited attempts to follow such strategies, its survival and legitimacy have never been heavily reliant on such methods; therefore the remarkable longevity and resilience of traditional polity in the UAE must be seen as being distinct from the less assured survival of some of the other Middle Eastern monarchies, including even the neighboring Gulf emirates of Bahrain and Kuwait.

Voluntary Transformation

Both Huntington and Manfred Halpern suggested that some kind of voluntary transformation of the polity might extend monarchical rule. Essentially the ruler himself could become the main modernizing force by preempting demands for political reform and by instituting constitutional reforms on his own terms. In such a scenario it was felt that "the King may be able to reserve his power as a symbol of unity above particular parties by acting as a moderator, but never engaging himself as a final authority except in crises that party politicians cannot remedy."[11] Certainly, as early as the 1930s there was evidence of such a strategy having been suggested to the rulers of the Trucial states, when during a brief period of instability the British political resident in the Gulf actively encouraged the ruler of Dubai to voluntarily yield a portion of his authority:

> You are a wise man, O Shaykh! And must be aware that all over the world cases have occurred of demands which have been made on their Rulers by their people for reforms, and which demands have been refused. The

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Socioeconomic Development and the Diversification Effort

Alongside the consolidation of the polity and the preservation of political stability, which are themselves key prerequisites for successful modernization, the United Arab Emirates has undergone significant socioeconomic development over the past thirty years as its "modernizing monarchs" have sought to consolidate the material components of their ruling bargain while also attempting to adapt to their situation by carefully removing and reducing some of the most patent weaknesses of their dependent economies. As such, viewed within the context of selective modernization shaped by inherited and persisting dependent circumstances, this chapter considers the UAE's major development plans and objectives and, crucially, not only determines their level of achievement, but also highlights some of the key problems that have yet to be overcome and that continue to face the Emirati planners.

Modifying Dependent Development

Orthodox neoclassical economic theory predicted the emergence of an interdependent world economy within which each national economy would seek to maximize its comparative advantage. In turn, it was suggested that this interdependence would eventually lead toward the long-term equalization of incomes,[1] and for some time many of the developing world's rulers accepted the inevitability of this argument. By the 1920s, however, the prevailing model had become one of "economic nationalism," as adverse economic conditions prompted many developing states to intervene and assist in building up and protecting their domestic industries.[2] While certain aspects of both these models did find some purchase among the planners and coordinators of the UAE's development strategies, these early economic development theories were nevertheless seen as insufficient in addressing the key concerns of the small and oil-rich Gulf state. Instead, the UAE's continuing reliance on the export of a single primary product export, its reliance on foreign technology, its international division of labor, and its asymmetrical relationship with the oil-purchasing economies were seen as being the most pressing issues.

Indeed, while the oil industry and its various requirements had certainly allowed the region to prosper and to escape from immediate poverty, it was nonetheless feared that any long-term dependency would eventually lead to serious structural problems and underdevelopment. Certainly, as Samir Amin warned, even by the late 1970s there were already several very marked features of economic disintegration beginning to appear in the "dependent Arab oil economies" as a result of persisting peripheral relations with the core economies and unchecked dependent structures:

• The economic structure of most Arab countries had become more externally orientated than that of any other group of countries in the developing world. Taken as a whole, the Arab world had become one of the most fully integrated and potentially dependent regions in the contemporary global economic system.

• Despite the availability of vast capital, industrialization remained comparatively weak and desultory, trailing behind other developing regions such as Latin America.

• Domination by the multinationals was leading to a corresponding technological dependency. The Arab world imported virtually all its industrial means of production and depended more and more for its agricultural development on multinational "agribusiness." As such, the economy of the Arab world had become a disabled one, characterized by disjointed industrial development, growing consumerism and widening inequality in income distribution, growing distortion of development orientation, and the increasing waste of human and natural resources.

• Oil wealth, which rose astronomically after 1973, served only to aggravate distorted development and to strengthen economic, military, and cultural dependency on the West. Thus the illusion of wealth created by oil was having the same effect on the Arab world as American gold had on Spain in the seventeenth century: it was delaying the fundamental changes that are necessary for any genuine renaissance.[3]

As such, in addition to straightforward growth and expansion, the reversal, or rather the reduction, of dependency-related features soon became a main feature of socioeconomic development planning in the UAE. Certainly, if the UAE needed proof of the precariousness of its economy then the oil price fluctuations and slumps of the 1980s soon provided clear indications as Saudi Arabia and other neighboring oil exporters were forced to contemplate austerity measures,[4] thereby highlighting the unpredictable nature of the international oil market and the dangers of relying on a narrow economic base and the demands of other economies. Moreover, it was recognized that many other external factors could also adversely affect the UAE's oil economy, including changing global energy consumption patterns resulting from stronger international antipollution legislation[5] and new oil-producing regions in Central Asia and Latin America coming onstream.[6] Of course, further compounding this vulnerability was the continuing insistence of the core economies on purchasing only crude oil, thereby preventing any refinement or value addition to the commodity in the UAE. Indeed, as former Egyptian oil minister Hussain Abdullah recently explained to the Dubai Cultural and Scientific Association: "The real benefits of oil as a support for the industry were being gained by the West who refused our repeated attempts to sell them refined oil and insist on buying it from us as a crude product. We were not making enough profit from oil as far as selling it for a good price as well as refining it and manufacturing its products is concerned."[7] Internally, it was feared that any long-term dependency on oil rents and distributed wealth would lead to the emergence of a consumerist society as the population's purchasing power accelerated independently of their productive capacity. Ultimately this would lead to excessive imports and a serious trade imbalance, while of course also reducing employment incentives and creating a potentially parasitic national work force dependent on the labor of foreigners.

Initially, a partial solution to reducing the UAE's dependency on oil was seen to involve savings and investment. Undoubtedly, overseas assets have long been considered an important safety valve for the region's future, and such savings continue to play a key role in Abu Dhabi's financial planning. By investing billions of petrodollars abroad it was hoped that the UAE would be able to survive a postoil future and maintain its oil boom standard of living by relying on considerable interest payments. Certainly, the UAE's foreign investments have steadily increased over the years, with the central bank revealing in 1994 that almost 97 percent of its assets were placed overseas,[8] and with it being thought that the UAE's total investments abroad may now be close to the $400 billion mark.[9] However, no matter how substantial the interest payments, it was also accepted that such investments would never be able to provide long-term solutions for reducing the actual structures of dependency and the resulting domestic socioeconomic problems. Indeed, as early as the mid-1970s the UAE's planners had already begun to favor a more multidimensional approach based on economic diversification with the hope that the non-oil-based sectors and the necessary physical infrastructure could all be developed using the UAE's massive oil revenues. As such, the planners began to regard oil not

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Domestic Pathologies and the Political Process

While the United Arab Emirates has enjoyed moderately successful socioeconomic development since the 1970s, and while the planners have managed to reduce some of the most manifest weaknesses resulting from the UAE's dependency on oil, foreign technology, and foreign labor, there have however been a number of significant under-the-surface pathologies that have continued to undermine the development path. Certainly, as the previous chapter indicated, a number of readily identifiable development concerns would appear to have their roots in deeper and far more complex internal problems, perhaps connected to the allocative nature of the rentier state, the domestic political process, the lack of interemirate coordination, the lack of interdepartmental cooperation, the need for greater transparency, and the interaction of conflicting interest groups. Crucially, without contradicting the growing economic neoliberal emphasis on internal factors shaping development,[1] I seek in this chapter to demonstrate that such pathologies are in many ways by-products of the same reinvigorated traditional structures that allowed for the consolidation of the polity and the reinforcement of the dependent client elite in the first place. Indeed, I will show how many of these persisting complications can be seen as the hidden cost of the UAE's political stability and therefore the long-term price that must be paid in order to circumvent the shaikh's dilemma and escape the inevitability of the early modernization theories.

Domestic Pathologies

A number of theoretical models have been devised in an effort to explain the relative impact of domestic pathologies in developing states, and elements of these can be readily applied to the UAE. First, in light of the various development problems discussed in the previous chapter, it is necessary to consider the inherent weaknesses of a political economy that is still by and large dominated and financed by oil—an allocative, subsidy-based, rentier state that is still able to rely primarily on hydrocarbon resources, and that therefore by definition lacks the impetus to build up the kind of productive sector so desperately needed by the development planners and the diversification strategists. Indeed, although there have been concerted attempts to create a multisector economy in the UAE, Giacomo Luciani, Ali Khalifa al-Kuwari, and other scholars have argued convincingly that such efforts will ultimately always be limited, as developing a domestic nonoil economic base in many ways still represents something of a bonus rather than a necessity for such states:

> Growth in the domestic economy is one of the various luxuries that the state can buy with its oil income in one case, it is an essential precondition for its existence and survival in others. . . . [T]he strengthening of the domestic economic base may be included, but not necessarily so. Even if this happens to be one of the goals of the state. . . . [T]he strengthening of the domestic economy is not reflected in the income of the state, and is therefore not a precondition for the existence and expansion of the state.[2]

As demonstrated, despite improvements in import-substitution industrialization, hydrocarbon resources are still behind many of the UAE's manufacturing activities, especially in Abu Dhabi, as many plants remain geared toward heavy export-oriented plants reliant on cheap energy.[3] Similarly, the agricultural sector continues to rely heavily on government subsidies (providing ready-made farms, equipment, irrigation, etc.),[4] which are of course a luxury that can only be afforded by an oil-rich allocative state. Moreover, as also explained in the previous chapter, allocated wealth has indirectly hindered the emiratization drive, as UAE nationals have been priced out of the market and in many cases have been stripped of incentives to enter the work force.[5]

Related to this employment issue, given that the vast bulk of the privileges and rewards described in the analysis of the UAE's legitimacy formula are directly reliant on rentier subsidies, the problem can in fact be reduced all the way down to the level of individual UAE nationals. With free housing and healthcare, nationals are provided with a constant safety net; with generous marriage funds, nationals are no longer required to resource huge dowry payments of their own; with entirely free higher education, nationals are not required to perform any kind of cost benefit analysis with regard to their future careers; with extremely favorable loans and business sponsorship systems, nationals can emerge unscathed from private sector misadventures;[6] and of course with purchasing power being artificially high given the lack of any major financial demands such as income tax or accommodation costs, the UAE's most popular leisure activity, shopping, has led to a heavily dominant consumption culture. Thus, while rentierism has provided great wealth, has allowed for social growth, and would seem to have engendered much needed stability, in many other instances the phenomenon has either created or done little to curb long-term development problems. In effect, citizenship in the UAE has become a financial asset, thus removing any need for meaningful and productive service. Given the enormous human impact of rentierism, this particular pathology must therefore be seen as all-encompassing: a malaise that both directly and indirectly effects almost all aspects of development in the UAE, and that must be kept in mind, at least in the background, when considering the country's various other shortcomings.

Building upon these implications, and of course again related to the earlier discussion of the survival of traditional monarchy and the polity's increased reliance on patrimonial networks alongside seemingly modern institutional structures, another important starting point would be the neopatrimonial model of pathologies. There is little doubt that the ruling families continue to dominate the UAE's political system, continue to control the highest offices of state, and, significantly, administer the bulk of the state's allocated wealth. It would seem reasonable, therefore, to hypothesize that patrimonial elites direct policy formulation while the more modern bureaucracies simply act as augmentations of the patrimonial network and as tools for policy implementation. In this scenario

> the bureaucracy is turned into an extension of a self-serving patrimonial elite which provides no coherent or dynamic administrative leadership. Particularistic distrust prevents the delegation of authority, stifles initiative, and frustrates teamwork and the co-ordination of functions. The chain of command is unreliable: legal prerogatives of office may give little real authority where power derives from personal connections and loyalties or legal commands are short-circuited by "personal fiefdoms."[7]

Indeed, Raymond Hinnebusch summarizes how such a neopatrimonial political process and the resulting pathologies can greatly affect development policy:

> Development policy is subverted by a patrimonial strategy of control in which economic rationality is subordinated to the creation of clienteles, cooptation, and payoffs of potential opposition. In such an uninstitutionalised regime, instability and fragmentation paralyse or induce swings in policy, rendering it incoherent, and effective instruments of policy implementation are wholly lacking. In short, state policy, put in the service of narrow group interests, is "irrational" from the point of view of the larger society.[8]

Thus, given this hybrid of traditional groups and new institutions, one would expect to find considerable competition between the various patrimonial elites and their clients over policymaking and the management of the state's resources.[9] Moreover, one would expect to uncover a system far removed from the Weberian ideals of legal-rational priorities, issues, and procedures, and therefore a political process likely to significantly impede and slow socioeconomic development.

Furthermore, the neopatrimonial expansion of the UAE's bureaucracies may also lead to the emergence of self-interested bureaucratic interest groups whose members may seek to secure themselves and their careers as well as consolidating the future of their particular institution within the hybrid political network. Certainly, as Fred Riggs has argued, such a behavioral pattern may lead to additional pathologies as bureaucracies and their staffs pursue irrational motives in an effort to further their own interests rather than those of greater society or indeed even the patrimonial elites.[10]

Finally, while such models may be able to highlight the particularistic struggles that can take place within neopatrimonial structures, they do not take into account the actual nature and complexity of the elite's orientation at the apex of this system.[11] Indeed, as Immanuel Wallerstein noted in the 1970s, such elites cannot always be viewed as homogeneous entities pursuing the narrow interests of patrimonial politics, as they will very often have conflicting economic interests, with some favoring an "open" economy while others favor some form of protection.[12] Certainly, with new generations of Western-educated and professional technocrats, many of whom control big businesses and are now beginning to gain positions of high office, the UAE's patrimonial elite and, in Hisham Sharabi's more Marxist terminology, its "dominant rentier class,"[13] is becoming distinctly heterogeneous, with a clear divide emerging between those conservatives seeking to perpetuate oil-derived rentier wealth and those "new rentier" reformers attempting to liberalize the economy in order to exploit fresh sources of economic rent. Thus, recognition of these domestic elite interest groups and their differing development priorities and preferences must form another crucial layer of understanding.

The Federal Decisionmaking Structure

At the federal level, the UAE's decisionmaking structure comprises a split executive, with a "president for life" chairing a supreme council of the various hereditary rulers, and a prime minister presiding over an appointed council of government ministers. Underneath this executive operates a unicameral (and supposedly legislative) council comprising selected representatives from the seven emirates. As one might expect, given the described neopatrimonial model, the powerful executive is almost entirely dominated

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Globalization and the Prospects for Civil Society

With the described reforms of the UAE's "new rentiers" clearly encouraging the much touted forces of globalization and the new economy, this chapter assesses the seemingly ambiguous impact of such increasing external influences on the UAE's dependent development and the future of its domestic structures. On the one hand, globalizing forces, as extensions of the same international forces that created the dependent structures in the first place, may continue to reinforce the UAE's dependency-related domestic pathologies; on the other hand, something of a second wave of globalization may be capable of surmounting such obstacles and engendering genuinely liberalizing reforms.

The Globalization Dilemma

Internationalized economies with widespread interstate activities have existed for centuries, but in most cases individual national economies remained distinct and predominant. In more recent years, however, there has been a growing trend toward a more globalized economy in which such individual economies have been "subsumed and re-articulated into a system by international processes and transactions."[1] Globalization can therefore be viewed as both an evolution and a qualitative shift from internationalization as it supplies functional integration to the previously dispersed economic activities of separate national economies.[2] Furthermore, although globalization has been regarded by political scientists as being primarily a characteristic of economic activity, it is also a multidimensional force with the power not only to subsume national economies but also to reshape national identities. Indeed, as many planners in the developing world have realized, while globalization may on the one hand offer an escape route avoiding future economic marginalization, at the same time it may also have serious implications for their indigenous political systems, societies, and cultures.

If the slogan of the annual Dubai Shopping Festival, "*One World, One Family, One Festival*," is to be taken literally,[3] it would seem that the UAE, or at least Dubai, is prepared to embrace wholeheartedly the forces of globalization. It would appear that the government of Dubai and its business community are both welcoming and actively encouraging foreign investment, international communications, and many of the other developments commonly associated with globalization. Indeed, in citing a recent speech by Dubai's energetic and reforming crown prince, David Hirst illustrates this point well:

> Early last year His Highness General Shaykh Muhammad bin Maktum [*sic*] announced at a press conference that the Internet revolution and the "new global economy" were coming to Dubai. It was an incongruous spectacle: so traditional a figure, in distinctive black dishdasha, delivering a pep talk like some wired and with-it corporate executive. As "synergy," "internet-enabled solutions," "cycle-time reduction" and suchlike flashed across a screen behind him, he swore he would have his globalised "government@Dubai" fully in place within 18 months or else.[4]

Moreover, in the near future globalization in Dubai is predicted to reach even higher levels following the much publicized "Dubai 2003," a massive event that hosted members of the World Bank, the IMF, and other international organizations. This gathering was seen as confirming Dubai's position at the crossroads of the new global economy, and as the event's coordinator, Ibrahim Belselah, has described, "it offered the opportunity for Dubai to reach out to global investors and decision-makers while affirming the emirate's credibility and stability."[5] But has this same proglobalization attitude been shared by the other emirates and interest groups? As the earlier case studies regarding foreign property ownership and foreign business ownership have indicated, there has clearly been little consensus, with many of the more conservative "old rentiers" remaining firmly opposed to such reforms and wary of the perceived dangers of greater global integration. Certainly, by building upon the previous chapter's discussion of the role of foreign direct investment,[6] it would appear that there is now also something of a national debate between those seeking to maximize the benefits of "benign globalization," and in contrast those wishing to maintain and augment the existing restrictions and regulations in an effort to preserve not only the UAE's national economy but also its distinct national society and culture.

To complicate the matter further, it would seem that neither camp has been able to present a definitive argument in their favor, given the paucity of real-world examples from other developing states experiencing similar conditions. Furthermore, on a more conceptual level, the abundance of both convincing pro- and antiglobalization literature has only served to fuel the debate, especially as both schools of thought would appear to be directly applicable to the UAE's development. Predictably, the antiglobalization writings of Samir Amin[7] and others reinforce dependency theory by tying globalizing forces to the capitalist interests of the core economies and the notion of unequal "underdevelopment." As such, globalization is seen as a collection of predatory socioeconomic forces that will eventually incorporate and undermine peripheral nation-states in order to allow for the greater expansion of capitalist markets. Therefore, within such a framework, globalization is seen as leading to the loss of control over domestic economies and resources, generating disequilibrium and fragmentation within developing states,[8] and of course also threatening national identity and eroding social cohesion. Thus, mindful of these dangers, the solutions suggested by the antiglobalization theorists and many of the UAE's conservatives have centered around a more activist nation-state capable of regulating potentially harmful forces and offering greater protection. In contrast, much of the recent proglobalization literature has provided support and solutions for those reformers seeking to liberalize the UAE's economy and welcome the forces of globalization.[9] Indeed, arguing that greater global integration, labor migration, improved communications, and other manifestations of "convergence" will not only bring economic improvements but also provide long-term social and political benefits,[10] the proglobalization theorists suggest that developing states should not resist such changes, but should instead remove all obstacles in order to facilitate this inevitable transformation.

The Historical Antecedents of Globalization

As Frauke Heard-Bey notes in her study of the Trucial coast, for a long period the shared waters of the Gulf region served not only as conduits between the various shaikhdoms, but also as an economic lifeline to the rest of the world.[11] Indeed, this lifeline became especially evident at the turn of the twentieth century, when a common regional interest in the profitable pearling industry began to encourage far greater contact and cooperation between the various towns and ports. Although certainly stunted by the described British exclusivity agreements and the region's subsequent incorporation into the British-Indian economic network, international trade,

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Conclusion

In the centuries preceding the oil era the economy of the lower Gulf had entered into a distinct period of international peripheralization due to its heavy reliance on both the export of primary products to distant markets and the steady influx of foreign labor from South Asia and East Africa. Crucially, however, this early period saw the emergence of a small but powerful merchant/entrepreneurial class. This class was capable of not only fostering a capitalist mode of production in the pearling industry and financing a wide range of local socioeconomic development projects, but also of operating within an extremely flexible and decentralized political system. This system combined surprisingly efficient nascent extractive institutions with open consultation and direct access to the coastal towns' relatively humble ruling shaikhs.

From the beginning of the nineteenth century the region's increasing contact with the core economy and imperial power of Britain had the effect of gradually removing many of these inherited structures and displacing indigenous economic networks while permanently, and in many ways unnaturally, reinforcing those select traditions that were deemed useful in transforming the native rulers into a British client elite. By the 1920s, this dependency of the elites on Britain deepened much further as the rulers began to receive an unprecedented level of personal economic benefits in exchange for facilitating British oil exploration and granting British air landing rights. Essentially, these incomes represented considerable non-earned economic rent many years before the first significant oil exports. Able to discontinue almost all extraction and switch to a distributive system, the rulers managed to placate large sections of their populations and thereby modify the historical ruler-merchant balance of power. Exploitation of the new wealth therefore provided the shaikhs with their first real political autonomy from nonruling elites. Although there were attempts to reinvigorate indigenous development and redirect the rentier wealth (most notably the reform movement of the Dubai merchants), these were easily contained by a campaign of indirect imperial coercion and misinformation.

British retrenchment in the late 1960s necessitated the withdrawal of almost all personnel from the region, but the empire's former clients and future oil partners were far from abandoned. Indeed, in close collaboration with the rulers, Britain's remaining administrators embarked on an extraordinarily rapid program of local institution building and federal negotiations in an effort to provide the lower Gulf with some degree of security from both external interference and the very real threat of internal fragmentation in a postimperial age. The resulting United Arab Emirates was proclaimed in 1971 and soon proved to be an extremely astute compromise agreement. By combining a carefully limited number of new central institutions alongside historically proven local systems, the newly independent state was able to avoid any significant break from the past. It was also able to provide just enough inter-emirate cooperation to ensure successful political union during a tumultuous period of fantastic wealth, regional power vacuums, military realignments, and competing ideologies.

The continuing survival of the UAE's traditional monarchies and the existence of a complex and dynamic "ruling bargain" has thus far allowed the shaikhs to carefully circumvent the old "shaikh's dilemma" of assimilating new groups alongside old. Specifically, personal and patrimonial-clientalist resources have remained key components of the legitimacy formula even during an era of unprecedented modernization and population explosion. Shoring up this network of privileges, loyalties, and vertical relations, the UAE's shrewd exploitation of cultural, religious, and ideological resources has engendered a greater sense of national identity, reduced the appeal of radical causes, and has helped to mobilize large sections of the population behind shared concerns and common ethnic memories. Adding a further layer of legitimacy, the polity's delicate constitutional engineering and selective institution building have provided much needed structural resources and some degree of public credibility without actually weakening the patrimonial or rather "neopatrimonial" linchpins of the monarchical system.

Augmenting these legitimacy components has of course been the UAE's massive oil wealth. Allowing for considerable expansion of the earlier distributive system, the rulers have been able to establish the world's purest example of a rentier state—a state in which the entire citizenship unwittingly enter into a tacit pact of receiving free housing, welfare, education, and a host of other economic benefits in exchange for their almost total political acquiescence. Unlike many other oil-rich states in the region, this pact has remained virtually intact as the local merchant elites were considerably weakened by the time of the UAE's rather late entry into the oil era. Whereas those merchants elsewhere in the Gulf were still operating from a position of strength when their rulers began to receive oil revenues much earlier in the century, the UAE possessed no real bargaining power. Further connected to the UAE's material resources has been the polity's favorable international relations with its superpower oil customers and behind-the-scenes oil investors. These valuable business alliances have been effectively translated into military treaties, providing a sense of real security for the militarily feeble monarchs in an increasingly dangerous neighborhood.

Alongside these components, I have demonstrated how the ruling families themselves are also providing the system with strength and resilience. By evolving into self-regulating institutions and behaving as surrogate large-scale political parties, the major dynasties have promoted their own longevity. Power-sharing strategies and consolation prizes in a more unitary rentier state combined with a reinforcement of the succession process and the frequent bandwagoning against potentially harmful factions have considerably reduced both the threat of internal division and any unwanted outside meddling in private business. Essentially, as the ruling families have politically matured, the need for collective action has become paramount as their internal dynamic now forces all members to act positively for the group as a whole and indeed for the wider neopatrimonial and rentier networks.

The UAE's socioeconomic development trajectory from the 1970s to the present day reveals the key strategies employed by the "modernizing monarchs" in their attempts to reduce some of the more serious weaknesses associated with the UAE's dependency situation, namely the country's reliance on overseas demand for oil exports, the supply of foreign technology for its industries, and the spiralling immigration of foreign workers. Specifically, in an effort to promote greater self-sufficiency and reinforce the material and welfare components of the ruling bargain, the rulers' development planners have sought to diversify the economy, facilitate technology transfers between foreign and domestic enterprises, build up a comprehensive social state to maintain a healthy and motivated labor force, and promote the nationalization or "emiratization" of positions in both the public and private sectors.

The industrial diversification strategy has enjoyed modest success in recent years with a variety of domestic nonoil-related concerns establishing themselves and in some cases even managing to substitute previously imported foreign technologies. Even more successful, though, has been the UAE's diversification through its commercial and tourist sectors. Although these sectors have not expressly reduced the country's reliance on foreign economies, they have nevertheless considerably reduced oil's relative contribution to the GDP. Furthermore, while the agricultural sector has grown at a much slower rate given the region's geographic restraints, its development still represents an important symbolic layer of diversification, especially as the UAE's food security has been able to improve. Finally, the oil-funded creation of a massive new infrastructure of transport, utility, and communication networks has ensured that the UAE can continue to physically accommodate such rapid and diverse nonoil developments, at least for the immediate future.

Also directly benefiting from massive oil investments has been the UAE's social development. The education sector has enjoyed considerable growth with dozens of new schools and several new universities now able to provide both national and expatriate youths with relatively high standards of tuition, small class sizes, and first-rate facilities. Equally noteworthy has been the expansion of the healthcare system, with many hospitals and clinics staffed by well qualified professionals now offering low doctor-to-patient ratios and comprehensive care for all but the most severe cases.

The emiratization strategy has enjoyed less noticeable success, with the UAE's dependence on expatriates remaining as great as ever. There have nonetheless been important recent indications that the nationalization of certain managerial and professional positions is beginning to gain momentum. Moreover, these accomplishments are particularly impressive given that emiratization, unlike diversification or social development, cannot be solved by large injections of oil wealth. Indeed, in many ways the strategy was initially derailed as early attempts to offer financial inducements to nationals effectively priced them out of the UAE's highly competitive labor market. Thus far, the best results appear to have been the product of a combined approach in which the planners have relied not only on restrictive practices such as quotas and visa limitations but also on the promotion of greater vocational education, internships, and other professional training programs for qualified young nationals.

Under these broad strategies there have also been significant emirate-level substrategies, which in many ways account for the slightly different development paths being pursued within the federation. Most notably at odds have, of course, been the trajectories of the two principal emirates of Abu Dhabi and Dubai. Abu Dhabi has been able to rely on considerable overseas investments financed by its vast oil wealth and heavy export industries courtesy of its comparative advantage of cheap energy. Dubai's much longer history of trading and accumulation of entrepreneurial expertise coupled with its far more modest oil reserves have promoted a much greater effort to fully diversify. In particular, Dubai has had to make a greater commitment to nonenergy-related import-substitution industries, and has sought to expand considerably its commercial and tourist sectors in a further effort to boost its non-oil-sector's contribution to the GDP. Although popularly viewed as a source of considerable tension, these different approaches have achieved some degree of success in their own right and should now be regarded as mutually supportive substrategies. Indeed, the federation's flexibility at the socioeconomic development level has allowed one area of the country to concentrate on the exploitation of its abundant natural resources and behave as something of a financial pillar for the poorer areas; while another area has begun to promote greater variation in the UAE's economy, has been able to integrate the country into the international marketplace, and is now increasingly able to provide the national population with genuine private sector employment opportunities.

Some of the more obvious development problems that have been encountered and thus far remain unsolved by the planners are important to note. The UAE's economy is still primarily consumption oriented, a long-term predicament that continues to cause a trade imbalance and a declining balance of payments. Even though Abu Dhabi and Dubai appear to be cooperating at a much greater level than ever before, there are nevertheless a considerable number of duplicated development projects across the UAE, especially in the smaller emirates where underutilization is an increasing concern. The relative wealth gap between the richest and poorest emirates has remained as great as it was thirty years ago. Such regional disequilibrium is preventing development and balanced growth and is likely to catalyse a host of fresh socioeconomic problems in the near future. In a similar fashion to the early wealth-related emiratization strategies, these ongoing development concerns are particularly problematic given that oil-financed investment is not a viable solution, and indeed in many cases may actually worsen the situation. Instead, it would seem that a number of internal pathologies must be addressed if circumstances are to improve, namely the predominantly allocative nature of the state, the rentier-induced consumer culture of the population, the lack of effective interemirate cooperation, the lack of proper transparency, and the frequent mismanagement of existing resources.

In an effort to explain more fully some of these persisting problems, one must look at the role of domestic structures and their associated weaknesses. By expanding on the all-pervading implications of rentierism and the kind of subsidy-based development that seemingly filters all the way down to the level of individual UAE nationals—and by underscoring the impact of reinvigorated neopatrimonial networks, bureaucratic self-interests, and differing client elite orientations on the UAE's policymaking and policy implementation processes—it is clear that many of the reinforced dependency structures that have allowed for the remarkable survival of the UAE's anachronistic monarchies are now so deeply rooted in the political economy that they actively shape and invariably undermine the planners' more rational socioeconomic development objectives. Certainly, in many ways these problems can be viewed as the hidden costs of the UAE's ruling bargain, its political stability, and the persistence of traditional forces, and therefore the price that must be paid in order to circumvent permanently the shaikh's dilemma and the inevitability of the early modernization theories.

An awkward hybrid form of neopatrimonial government of seemingly modern institutions astride much older traditional authorities allows the hereditary rulers and their closest relatives to dominate directly the highest levels of the federal decisionmaking process and, through the use of carefully selected representatives, to control tightly the UAE's token legislature. Moreover, operating in parallel to (and in some cases overlapping) these federal authorities exist a multitude of emirate-level government departments. Although there are now signs of their increasing subordination to centralized power, it is important to note that until very recently there have been major divisions over key issues of national interest such as oil policy, foreign relations, and even defense. Thus, while the federation has ostensibly matured over the years, especially with the greater incorporation of Dubai, it is nevertheless little more than a loose confederation holding together potentially uncoordinated and ultimately autonomous regional power bases.

Policy implementation takes place within a large number of ministries, parastatals, and other bureaucracies, and as such these institutions are also capable of influencing Emirati development. Managed almost exclusively by nonelected appointees with close ties to the traditional polity, the majority of the UAE's chambers of commerce, judicial bodies, and financial organizations are firmly fixed into the neopatrimonial network. In many cases, the rigidity of these institutions has been compounded by a number of other pathologies including bureaucratic self-interest, opaqueness, and of course a complete lack of impartiality.

Although not a pathology as such, another important internal factor has been the widening division emerging within the UAE's client elite. Essentially, the debate over the path of future development between the "old rentiers" seeking to perpetuate the steady flow of oil revenues and the increasingly powerful camp of "new rentiers" seeking fresh sources of economic rent from nonoil-related activities, such as the leasing of property and business parks to foreign investors, has highlighted the nonhomogeneous nature of the UAE's dominant rentier class. As such, there is a genuine struggle between conservatives and reformers, with the latter needing to attack the status quo on a number of levels in order to remove the many existing restrictive regulations that currently block or hinder their particular vision of Emirati development.

The rapidly increasing influence of new external forces on the UAE's socioeconomic development shows how various aspects of globalization, both benign and malignant, have already begun to reshape the UAE's domestic economic structures. On the one hand, global integration is leading to increased international competition for struggling infant industries, whereas on the other hand a number of Emirati enterprises have already proved themselves capable of harnessing the greater marketing opportunities afforded by the "new economy." Moreover, such accelerating globalization is believed to have led to a substantial decline in regional integration, a development feared by those who regard more localized economic links as providing a better safety net in times of crisis. Equally contentious has been the impact of international organizations on the UAE's economy, especially on its numerous monopolies. Whereas supporters of WTO and IMF membership have welcomed the requirements to free up such sectors, many conservatives have opposed external involvement in any of the UAE's key industries and remain wary of the political complications that may result from further commitments to international organizations.

Also ambiguous has been the impact of external sociocultural forces on the UAE. In particular, such forces have been held responsible for the increasing "cultural contamination" that has ostensibly eroded much of the traditional Emirati way of life and therefore provided an additional impetus for the government's multipurpose cultural revival. The considerable marginalization of the Arabic language has also been blamed on intrusive global influences, specifically the increasing presence of non-Arabs and foreign-language education. Developments in global communications and their accessibility in the UAE have, however, been far better received, perhaps given that such external sources of information are thought likely to engender or maybe even require much greater accountability and transparency from existing domestic services.

The role of globalization in reshaping the UAE's civil society and associational life demonstrates how a fresh wave of external forces may provide sufficient support for the revitalization of many of the UAE's currently weakened civil society organizations, especially those that have been demobilized by carefully controlled rentier and dependency-related structures (namely cultural heterogeneity resulting from the massive foreign labor force, increasing levels of government co-option, royal patronage, and, in a small number of cases, even repression). Of these new influences, the importance of transferable ideas from the numerous UAE-based branches of international organizations has been cited as providing a stronger foundation for future domestic associations in addition to fostering a better sense of collective security. Similarly, there would also seem to be something of a "demonstration effect" resulting from improved global communications, allowing associations in the UAE to benefit from shared global experiences and enjoy greater mutual support. Last and perhaps most significant have been the recommendations and proposals made to domestic ministries and other policymaking institutions by prominent NGOs and the UAE's other major international partners. Given time, these external bodies may be able to motivate the UAE government to free up civic space from above, perhaps even allowing for the operation of previously restricted organizations such as labor groups and human rights associations.